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091255Z Feb 05

UNCLAS SECTION 01 OF 03 MADRID 000504

SIPDIS

DEPARTMENT FOR OES/ENV (JOHN THOMPSON) AND EUR/WE

E.O. 12958: N/A

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SUBJECT: SPAIN ON MERCURY ISSUE AT UNEP GOVERNING COUNCIL

REF: SECSTATE 18970

1. SUMMARY: As the world's leading producer of mercury, Spain has an economic interest in working with the U.S. on our partnership approach to mercury control. But it is not clear if Spain's economic interests will outweigh the logic of accepting an EU consensus position that perhaps moves more aggressively to curb mercury trade than Spain would optimally prefer. However this issue plays out, Madrid's mercury policy will remain heavily influenced by its desire to gradually wind down domestic mercury production without causing major economic or social dislocations. END SUMMARY.

2. ESTHOFF made reftel points February 8 to Environment Ministry Director General for Environmental Quality and Evaluation Jaime Alejandro Martinez, urging Spain to support the U.S. mercury draft decision document at the February 21-25 Nairobi meeting of the UN Environment Program (UNEP) Governing Council (GC). ESTHOFF also stressed U.S. concerns about calls for a legally binding instrument for mercury control, underscoring our view that specific targeted mercury partnerships were a better way to proceed.

3. Alejandro, who said he would be accompanying Spanish Environment Minister Cristina Narbona to Nairobi, opened his comments by noting that the Spanish state-owned "MAYASA" company was the world's largest producer of mercury and that Spain has been the global leader in mercury production since the days of the Roman Empire. Alejandro indicated he would be meeting with MAYASA executives, prior to the Nairobi UNEP GC, to discuss Spain's international mercury policy. Concerns related the economic viability of MAYASA and its roughly 150 employees engaged in the mercury trade (mostly at a facility near the Castilla La Mancha city of Ciudad Real) form part of the prism through which Madrid views possible international action on mercury regulation.

4. Alejandro noted that MAYASA was now diversifying away from mercury production and has not mined new ore since 2002 (relying on existing ore stocks to continue to extract mercury). MAYASA's most significant mercury contract is with "EUROCHLOR" (for use in Chlor-Alkali facilities). This contract requires MAYASA to supply fixed amounts of mercury through 2011.

5. Alejandro said two dates/deadlines were driving Spanish and EU mercury policy. First, the EU had agreed to stop mercury exports to non-EU countries by 2011 (the same year MAYASA's contract with EUROCHLOR expires). Intra-EU mercury exports would still be allowed. Second, all mercury exports (including the intra-EU trade) would be halted by 2020.

6. Alejandro stressed that Madrid would advocate a common EU position on mercury that would complement broader international mercury control efforts. This common position should ensure that any possible Spanish commitment to eventually eliminate mercury production would not simply result in this market being ceded to other leading producers like Algeria or Kazakhstan. It would not make sense to sacrifice MAYASA unless it were in the context of a broad international effort to halt the production and use of mercury. (Note: Alejandro mentioned that Sweden has companies that have either invested in, or are interested in investing in, Kazakhstan's mercury production sector. End Note)

7. When asked if the above signaled Spanish support for Nordic calls for the UNEP GC to consider a binding international mercury instrument, Alejandro said "that depends." He suggested that Spain would oppose measures that would prevent Madrid from gradually winding down MAYASA's participation in the trade and finding alternative employment for the workers whose livelihood remains linked to mercury production. Alejandro appeared wedded to the 2011/2020 dates, suggesting that Madrid could support a binding international instrument that hewed closely to the EU's plans to halt the trade by 2020. In the meantime, he indicated that Spain might be open to several of the partnership concepts broached in the U.S. draft decision paper.

8. COMMENT: As the world's leading producer of mercury, Spain has an economic interest in working with the U.S. on the partnership approach. But it is not clear if Spain's

economic interests will outweigh the logic of accepting an EU consensus position that perhaps moves more aggressively to curb mercury trade than Spain would optimally prefer. If there is EU consensus to pursue a legally binding instrument, Madrid will almost certainly advocate an instrument that:  
(1) gives Spain time to gradually wind down MAYASA's mercury production, and, (2) includes the world's other leading mercury producers.  
MANZANARES